

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 4 — 0 8 MA

2. STATE:

New Jersey

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

August 11, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 430.12(c)

7. FEDERAL BUDGET IMPACT:

a. FFY 2004 \$ 17 Millionb. FFY 2005 \$ 100 Million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, page 1-262.1  
Attachment 4.19-A, page 1-262.2  
Attachment 4.19-A, page 1-262.2a  
Attachment 4.19-A, page 1-2649. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):Same  
Same  
New  
Same

10. SUBJECT OF AMENDMENT:

Charity Care Reimbursement

11. GOVERNOR'S REVIEW (Check One):

- ☐
- GOVERNOR'S OFFICE REPORTED NO COMMENT
- 
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
- 
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Not required,  
per 7.4 of the Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James M. Davy

14. TITLE:

Commissioner

15. DATE SUBMITTED:

9-2-04

16. RETURN TO:

Division of Medical Assistance  
and Health Services  
P.O. Box 712, #26  
Trenton, NJ 08625-0712

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

April 12, 2005

## PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

AUG 11 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

Dennis G. Smith

21. TYPED NAME:

Dennis G. Smith

22. TITLE:

Director, CMSO

23. REMARKS:

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
Reimbursement for Instate Acute Care Inpatient Hospital Services  
Disproportionate Share Hospital**

- i) The hospital-specific adjusted charity care shall be equal to a hospital's documented charity care times its hospital-specific profitability factor.
- ii) The hospital-specific documented charity care shall be equal to the dollar amount of charity care provided by the hospital that is verified in the DHSS' most recent charity care audit conducted under the rules adopted by the DHSS and valued at the same rate paid to that hospital under the Medicaid program, except for charity care services provided to emergency room patients who do not require those services on an emergency basis. Beginning Calendar Year 1997, those services shall be valued based on a schedule of rates adopted by the DHSS.
- iii) Documented charity care for the period January 1, 1998 through June 30, 1998 shall equal audited, Medicaid-priced amounts for the last quarter two years prior to the payment period and the first three quarters of the year prior to the payment period. Documented charity care for State Fiscal Year (SFY) 1999 and each SFY thereafter, shall equal the audited Medicaid-priced amounts for the most recent calendar year.
- iv) The statewide-target payer-mix factor is the lowest payer mix factor to which all hospitals receiving charity care subsidies can be reduced by spending all available charity care subsidy funding for that year.

**04-08-MA (NJ)**

TN: 04-08-MA (NJ)  
Supersedes: 98-07-MA (NJ)

Approval Date APR 19 2005  
Effective Date AUG 11 2004

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
Reimbursement for Instate Acute Care Inpatient Hospital Services  
Disproportionate Share Hospital**

c) Beginning July 1, 2004 and each year thereafter:

1. With the exception of the charity care distribution for State Fiscal Year (SFY) 2005, documented charity care shall be equal to the Medicaid-priced amounts of charity care claims submitted to the Department of Health and Senior Services for the most recent calendar year, adjusted, as necessary, to reflect the annual audit results. These amounts shall be augmented to reflect payments to hospitals by the Medicaid program for Graduate Medical Education and Indirect Medical Education based on the most recent Graduate Medical Education and Indirect Medical Education formulas utilized by the Federal Medicare program.

i) For the charity care distribution for SFY 2005, documented charity care shall be equal to the Medicaid-priced amounts submitted to the Department of Health and Senior Services for calendar year 2002, adjusted as necessary to reflect the annual audit results.

2. Hospital-specific documented charity care shall be equal to the Medicaid-priced dollar amount of charity care provided by a hospital as submitted to the Department of Health and Senior Services for the most recent calendar year. A sample of the claims submitted by the hospital to the department shall be subject to an annual audit conducted pursuant to applicable charity care eligibility criteria.

3. The charity care subsidy shall be determined according to the following methodology:

i) Each hospital shall be ranked in order of its hospital-specific, relative charity care percentage, or RCCP, by dividing the amount of hospital-specific gross revenue for charity care patients by the hospital's total gross revenue for all patients.

ii) The nine hospitals with the highest RCCPs shall receive a charity care payment equal to 96 percent of each hospital's hospital-specific documented charity care. The hospital ranked number 10 shall receive a charity care payment equal to 94 percent of its hospital-specific documented charity care, and each hospital ranked number 11 and below shall receive two percentage points less than the hospital ranked immediately above that hospital.

iii) Notwithstanding the provisions of ii) above to the contrary, each of the hospitals located in the municipalities in the State with the lowest median annual household income according to the most recent census data, shall be ranked from the hospital with the highest hospital-specific documented charity care to the hospital with the lowest hospital-specific documented charity care. The hospital in each of the municipalities, if any, with the highest documented hospital-specific charity care shall receive a charity care payment equal to 96 percent of its hospital-specific documented charity care.

**04-08-MA (NJ)**

TN: 04-08-MA (NJ)  
Supersedes: 98-07-MA (NJ)

Approval Date	APR 19 2005
Effective Date	AUG 11 2004

iv) Notwithstanding the provisions of this subsection to the contrary, no hospital shall receive reimbursement for less than 43 percent of its hospital-specific documented charity care.

4. The State shall maintain the charity care subsidy at an amount not less than 75 percent of the Medicaid-priced amounts of charity care provided by hospitals in the State. In addition, these amounts shall be augmented to reflect payments to hospitals by the Medicaid program for Graduate Medical Education and Indirect Medical Education based on the most recent Graduate Medical Education and Indirect Medical Education formulas utilized by the Federal Medicare program.

5. Notwithstanding any other provisions of this section to the contrary, in the event that the change from the charity care subsidy formula in effect for State Fiscal Year 2004 to the formula established pursuant to this section in effect for State Fiscal Year 2005, reduces, for any reason, the amount of the charity care subsidy payment to a hospital below the amount that the hospital received under the formula in effect in State Fiscal Year 2004, the hospital shall receive a payment equal to the amount it would have received under the formula in effect for State Fiscal Year 2004.

04-08-MA (NJ)

TN: 04-08-MA (NJ)  
Supersedes: NEW

Approval Date APR 19 2005  
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**5. Payments for the University of Medicine and Dentistry**

a) The Commissioner of Human Services shall designate as a DSH and make a DSH payment to teaching hospitals whose medical programs are established by the Department of Education and whose board of trustees include the Commissioner of Health and Senior Services or his or her successor.

b) Payments shall be calculated in the following manner:

i) The DSH payments for UMDNJ shall equal the total operating cost of the hospital, less any third party amounts, including all other Medicaid payments, (other than DSH payments) and payments from non-governmental sources for services provided by the hospital to individuals who are either eligible for medical assistance or uninsured. The following formula illustrates the payment adjustment to be made to eligible hospitals:

$$\text{Payment} = \text{Total Operating Cost} - [(\text{Medicaid Payments excluding DSH}) + (\text{Third Party Payments and Non-State Sourced Payments})]$$

c) Effective with the State Fiscal Year that begins on or after September 30, 2002, and ends on the last day of the succeeding State Fiscal Year, DSH payments for UMDNJ shall equal 175 percent of the total operating cost of the hospital, less any third party amounts, including all other Medicaid payments and payments from non-governmental sources, for services provided by the hospital to individuals who are either eligible for medical assistance or uninsured. Payments shall be calculated in the following manner:

$$\text{Payment} = 1.75 \times \{\text{Total Operating Cost} - [\text{Medicaid Payments excluding DSH} + (\text{Third Party Payments and Non-State Sourced Payments})]\}$$

**04-08-MA (NJ)**

TN: 04-08-MA (NJ)  
Supersedes: 03-08-MA (NJ)

Approval Date APR 19 2005  
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